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PP RUEHDBU RUEHLN RUEHVK RUEHYG  
DE RUEHTA #1402 1080501  
ZNR UUUUU ZZH  
P 180501Z APR 06  
FM AMEMBASSY ALMATY  
TO RUEHC/SECSTATE WASHDC PRIORITY 4967  
INFO RUCNCIS/CIS COLLECTIVE  
RUEHBUL/AMEMBASSY KABUL 0162  
RUEHNE/AMEMBASSY NEW DELHI 0302  
RUEBAAA/DEPT OF ENERGY WASHDC

UNCLAS ALMATY 001402

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DEPARTMENT FOR SCA/CEN (J. MUDGE)  
DOE FOR NNSA (DESCHLER), PI-21 (THOMPSON)

E.O. 12958: N/A

TAGS: [ECON](#) [EPET](#) [PARM](#) [PREL](#) [KZ](#)

SUBJECT: KAZAKHSTAN: DEPUTY PM MASIMOV ON VIP VISIT

REF: ALMATY 1401

¶1. (SBU) Summary: In a meeting to discuss issues related to the upcoming VIP visit to Kazakhstan, Deputy PM Masimov expressed confidence that agreement would be reached on both the AIG settlement and the Second Line of Defense program before the visit. He gave a favorable assessment of the majority of the proposed energy-related activities that A/S Boucher had shared with FM Tokayev the previous week. Masimov was particularly supportive of the trans-Caspian gas pipeline feasibility study. End summary.

¶2. (SBU) In an April 17 meeting with the Ambassador, Deputy PM Karim Masimov stated that the Kazakhstani government would sign the AIG settlement agreement before the May 3 deadline. He indicated that he was also working to facilitate completion of the Second Line of Defense implementing arrangement.

¶3. (SBU) The Ambassador informed Masimov that the Department was actively examining the question of establishing a bilateral commission with Kazakhstan, including the issue of who from the U.S. side could chair such an organization.

¶4. (SBU) In response to the Ambassador's request for feedback on the list of activities related to the upcoming VIP visit provided by A/S Boucher (septel), Masimov expressed support for the vast majority of economic items with a few caveats. He noted that the Kazakhstani government's relations with AES were not entirely positive, and for that reason the feasibility of regional power transmission was uncertain. Masimov said that the idea of adding an Almaty-Kabul air link, while "possible in principle," depended on the commercial viability of such a route. He expressed strong personal support for the idea of a feasibility study for a trans-Caspian gas pipeline, noting that there were certain "political risks" involved. (Note: As reported reftel, Energy Minister Izmukhambetov later said that such a study would address the key political question of whether Iranian and/or Russian agreement would be necessary. End note.)

¶5. (SBU) On the BTC IGA, Masimov stated that there were "no problems" from the Kazakhstani side. Kazakhstan and Russia have almost agreed on CPC expansion, following Kazakhstan's recent ultimatum that it would build "BTC 2" in the absence of Russian agreement to expansion of CPC. Masimov stated that the decision of whether to buy Boeings or Airbus was Air Astana's to make, but perhaps the GOK could exercise a certain amount of influence. The Deputy PM was unfamiliar with the issue related to the bilateral assistance agreement

and thus unable to offer an opinion. He was in favor of all the other items related to regional integration, energy, and economic progress.

¶6. (SBU) Masimov emphasized that the Kazakhstani government was intent on ensuring a "worthy" visit for the VIP. He expressed the hope that it would be possible to include participation in a May 5 conference on economic development organized by the Ministry of Economy and the World Bank on the agenda.

¶7. (SBU) Masimov told the Ambassador that Kazakhstan was considering hiring new international consultants on a range of issues, including Giuliani & Bracewell on Caspian security and Kissinger and Associates on regional issues. He said they were considering Booz Allen to be the on-site consultants to work within the proposed tax unit for larger taxpayers.

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